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IMPACT ON E-BANKING DURING THE DEMONETIZATION PHASE IN INDIA

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ABSTRACT

This paper is about the high impact jolt, the Banking sector faced during the Demonetization drive initiated by our hon'ble PM Narendra Modi on the 8th November, 2016. Banking sector is one of the most leading sectors in India-Urban, Rural or Punjab. To control parallel economy, the drive was initiated as a result there was a ban on notes of Rs500 & Rs1000 denomination as a legal tender. The Indian Economy faced a huge cash crunch. Going cashless, the population did not have money to buy their daily need goods. The stores had stopped accepting the banned currency and the new currency was hardly in circulation. There were massive queues in front of banks with waiting period for each customer was somewhere around 1-2 hours. This paper shows the high-level dependency of the population on Mobile Banking/ E Banking during this phase. The supplies were affected, the suppliers were affected, the consumers were affected and even the transporters were affected. There was hardly any possibility to make purchases with Rs500 and Rs1000.

Keywords: Demonetization, Cash Crunch, E-Banking, Parallel Economy

INTRODUCTION

The world is changing at a staggering rate and technology is considered to be the key driver for these changes around us. An analysis of technology and its uses show that it has permeated in almost every aspect of our life. Many activities are handled electronically due to the acceptance of information technology at home as well as at workplace. Slowly but steadily, the Indian customer is moving towards new banking services like internet banking & mobile banking. Internet banking means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. In internet banking system, the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking. Mobile banking is a generic term for the delivery of banking services through mobile phones, personal digital assistant (PDA).

Demonetization: Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary where a change of national currency is needed. The old unit of currency must be retired and replaced with a new currency unit.

There are multiple reasons why nations demonetize their local units of currency. Some reasons include to combat inflation, to combat corruption, to combat parallel economy and to discourage a cash system. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

On 8th November 2016, the Indian government announced the demonetization of the 500- and 1000- rupee notes, the two biggest denomination notes. These notes accounted for 86% of the India's cash supply. The

government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of black money gotten from parallel cash systems were forced to exchange the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed.

E-BANKING

E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine(ATM), kiosk, or Touch Tone telephone.

Electronic banking is one of the truly widespread avatars of E-commerce the world over. In simple words, e-banking implies provision of banking products and services through electronic delivery channels. Various authors define E-Banking differently but the most definition depicting the meaning and features of E-Banking are as follows: "E-Banking is a combination of two, Electronic technology and Banking." "Electronic Banking is a process by which a customer performs banking Transactions electronically without visiting a brick-and-mortar institutions." "E-Banking denotes the provision of banking and related service through Extensive use of information technology without direct recourse to the bank by the customer." Mobile phone banking and E-Banking may also be used to help in business situations as well as financial.

Mobile Banking Services

Banks offering mobile access are mostly supporting some or all of the following services:

1. Account Balance Enquiry
2. Account Statement Enquiries.
3. Cheque Status Enquiry.
4. Cheque Book Requests.
5. Fund Transfer between Accounts.
6. Credit/Debit Alerts.
7. Minimum Balance Alerts.
8. Bill Payment Alerts.
9. Bill Payment.
10. Recent Transaction History
11. Information Requests like Interest Rates/Exchange Rates.

Advantages of Mobile Banking

Mobile banking through cell phone offers many advantages for customers as well as banks.

Some of them are as follows:-

1. Mobile banking has an edge over internet banking.
2. Cell phone banking is cost effective, user friendly, time saving
3. Banking through mobile reduces the risk of fraud.
4. Banking through cell phone benefits the banks too. It cuts down on the cost of tele- banking and is more economical.
5. Banks can be in touch with their clients with mobile banking.
6. Banks can also promote and sell their products and services like credit cards, loans etc. to a specific group of customers.

7. Various banking services like Account Balance Enquiry, Credit/Debit Alerts, Bill Payment Alerts, Transaction History, Fund Transfer Facilities, and Minimum Balance Alerts etc. can be accessed from your mobile.

OBJECTIVES of this Research Paper

- 1) To identify the reasons for preferring E-Banking and mobile banking.
- 2) To identify the awareness of E-Banking mobile banking services and how frequently it is used by the respondents.
- 3) To find out the opinion of the respondents regarding the various problems of phone / mobile banking.
- 4) To study the consumer's service quality in E-banking System.
- 5) To give valuable suggestions to improve awareness and satisfaction about E-banking service.

Research Methodology

Sample size: This study has a sample of 50 respondents, which includes population from, Chandigarh Group Of college working professions and students. Structured questionnaire is used to gather information. Closed ended questions are included in questionnaire.

TOOLS OF DATA COLLECTION:

Primary data: Primary data was collected through a structured questionnaire. The components of the questionnaire are:

level of awareness and knowledge of consumers regarding internet banking, various internet banking services used by the respondents, different transactions carried out by the customer, problems faced by the customer during internet banking and various elements of website evaluation related to various internet banks.

Secondary data: Secondary data were collected from the Articles and Websites.

Period of the study: The data were collected for the month of December 2016-January 2017.

Materials and Methods: Exploratory research was conducted to investigate the major factors that influence consumers to use or not to use E-Banking. Simple sampling method was used. It is a type of probability sampling which involves the sample being drawn from that part of the population. The reasons of using this sampling type are twofold. First, it offers an easy way to obtain the raw data for the further analysis. Second, it saves times and costs since the respondents can be randomly selected.

Hypothesis

1. Consumer awareness has significant impact on interest to use M-Banking.
2. M-Banking has significant impact on the interest to use M-banking.
3. Ease of use of M-Banking has significant impact on the interest to use M-Banking.
4. Consumers are satisfied with e-banking services.
5. Consumers are able to use mobile phones for e-banking.

Limitations to the study:

1. The geographical scope of the study is limited to, Chandigarh Group of Colleges Landran, Mohali alone.
2. The sample size is confined to 50.
3. The consumer attitude may change in future.

DATA ANALYSIS AND INTERPRETATION:

1. Gender

A. Male

B. Female

S.No	Gender	Respondent	Percentage
A	Male	26	52%
B	Female	24	48%

INTERPRETATION: It is inferred from table and chart that out of 50 respondent, 52% are male and 48% are females.

2. Age

A. 18 - 25 years

B. 26 - 30 years

C. 31 – 40 years

D. 41 – 50 years

E. 51 – 60 years

F. above 60 years

S.No	Age	Respondent	Percentage
A	18-25	45	90%
B	26-30	4	8%
C	31-40	1	2%
E	51-60	-	-
F	Above 60	-	-

INTERPRETATION: It is inferred from the study that out of 50 respondent 90% respondents are in age group of 18-25, 8% respondents are from 26-30 age group and 2% respondent are from 31-40 age group.

3. Education

A. Degree

B. Masters Degree

S.NO.	EDUCATION	RESPONDENT	PERCENTAGE
A	DEGREE	5	10%
B	MASTER DEGREE	10	90%

INTERPRETATION: The study shows that 94% respondents are holding degree and 6% respondents are holding master degree.

4. Marital Status

A. Married

B. Unmarried

S.No	Marital status	Respondent	Percentage
A	Married	4	8%
B	Unmarried	46	92%

INTERPRETATION: The study shows that there are 92% respondents who are unmarried and remaining 8% are married.

5. Profession

A. Private Employee

B. Student

S.No	Profession	Respondent	Percentage
A	Private employee	5	10%
B	Student	45	90%

INTERPRETATION: From the above table it is inferred that there are 90% respondents are students and 10% respondents are private employee.

6. Monthly Income

A. Up to 10,000

B. 10,000- 20,000

C. 20,000-30,000

D. 30,000-40,000

E. 40,000-50,000

F. above 50,000

S.No	Monthly income	Respondent	Percentage
A	Below 10000	3	6%
B	10000-20000	-	-
C	20000-30000	2	4%
D	30000-40000	45	90%
E	40000-50000	-	-
F	Above 50000	-	-

INTERPRETATION: Out of total respondent 6% respondents belong to income level below 10000, 4% of them belong to income level 20000-30000 and 90% of them have an income level of 40000-50000.

7. Which attribute of the bank do you value the most?

A. Quality of Service

B. Technology used

C. Trust

D. Location

E. Type of the bank

S.No.	Attribute	Respondent	Percentage
A	Quality of services	25	50%
B	Technology used	6	12%
C	Trust	14	28%
D	Location	1	2%
E	Type of bank	4	8%

INTERPRETATION: It is inferred that 50% respondents trust the quality of services of bank, 28% of them prefer trust, 12% prefer technology, 8% prefer type of bank and remaining 2% prefers location of a bank.

8. Which factor promotes you to use the new techniques in banking? (Tick all that are applicable)

- A .Reduced time of transactions B. Cost effectiveness
C .Ease of use D. Technology savvy

S.NO.	Factors	Respondents	Percentage
1	Time reduction	27	54%
2	Cost effectiveness	2	4%
3	Ease of use	18	36%
4	Technology savvy	3	6%

INTERPRETATION: Study shows that 77% respondents promote the time reduction factor of bank, 9% promote technology, 8% promote easiness and remaining 6% promote cost effectiveness of banks.

9. Is it because of the demonetization phase that you want to opt/opted for E Banking and Mobile Banking?

- A.YES B.NO
C.UNCERTAIN

S.No.	Particulars	Respondent	Percentage
A	Yes	46	92%
B	No	2	4%
C	Uncertain	2	4%

INTERPRETATION: Out of total respondent 92% respondent will use mobile banking if they will be able to do so, 4% respondent will not use mobile banking and 4% of the total respondent are not sure about the use of mobile banking.

10. Are you familiar with obtaining financial information through your mobile device?

- A. YES B. NO

S.No.	Particular	Respondent	Percentage
A	Yes	47	94%
B	No	3	6%

INTERPRETATION: It is inferred that 94% of the respondents are familiar with obtaining information through mobile phone and 6% of respondents are not.

11. Are you familiar with paying bills through your mobile device. ?

A. YES

B. NO

S.No.	Particular	Respondent	Percentage
A	Yes	44	88%
B	No	6	12%

INTERPRETATION: Out of total respondents 88% of the respondents are able to pay bills through mobile phones and 12% of them are not able to do so.

12. Are you familiar with money transfer facility through mobile device?

A. YES

B. NO

S.No.	Particular	Respondent	Percentage
A	Yes	46	92%
B	No	4	8%

INTERPRETATION: The study shows that 92% of the respondents are familiar with transferring money through mobile phones and 8% of them are not able to do so.

13. Do you find using E Banking Difficult?

A. Yes

B. No

S.No.	Particular	Respondent	Percentage
A	Yes	3	6%
B	No	47	94%

INTERPRETATION: Out of total respondents 94% of respondents do not find E Banking difficult.

14. Are you concerned about the security of the Internet Banking?

A. Yes

B. No

S.No.	Particular	Respondent	Percentage
A	Yes	45	90%
B	No	5	10%

INTERPRETATION: Out of total respondents 90% of the respondents are concerned about the security of internet banking and 10% of them are not concerned about the security of internet banking.

15. Overall Satisfaction Levels from E-Banking

- Very Dissatisfied
- Fairly Dissatisfied
- Neither satisfied Nor Dissatisfied
- Fairly Satisfied
- Very Satisfied

S.No	Particular	Satisfaction level	Percentage
A	Very dissatisfied	-	-
B	Fairly dissatisfied	2	4%
C	Neither satisfied nor dissatisfied	4	8%
D	Fairly satisfied	31	62%
E	Very satisfied	13	26%

INTERPRETATION: It is inferred that 62% of respondent are fairly satisfied, 26% of them are very satisfied, 8% of them are neither satisfied nor dissatisfied and 4% of them are dissatisfied.

FINDINGS:

It has been found that the respondents do have security issues when it comes to the usage of e Banking, however, they find it both time effective and cost effective. It was majorly during the demonetization phase that majority of the respondents opted for online banking as they found it a good source of making certain purchases or for clearing of bills.

CONCLUSION:

In a country like India, there is need for providing better and customized services to the customers. Banks must be concerned About the attitudes of customers with regard to acceptance of online banking. The importance of security and privacy for the acceptance of internet banking has been noted in many earlier studies and it was found that people have understanding of internet banking, although they are aware about risk. Hence, banks should design the website to trust issues. The recommendations to the banks are that they have to increase the level of trust between banks" website and customers. This paper explores the result as majority of the respondents use E-Banking / Mobile banking whenever they require.

Further it is concluded that there is no significant difference among the education groups in the average awareness score on Phone Mobile banking usage, there is no significant difference among the monthly income groups in the average awareness score on Phone / Mobile banking usage, there is no significant difference among the bank account and average awareness score on Phone / Mobile banking usage, there is no significant difference between public and private bank in the average problem score of internet banking. Hence in further the researcher can also conduct studies with larger samples to get relative importance in each dimension.

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